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DECLASSIFIED AND RELEASED BY
CENTRAL INTELLIGENCE AGENCY
SOURCES/METHODS EXEMPTION 3B2B
NAZI WAR CRIMES DISCLOSURE ACT
DATE 2007

OFFICIAL DISPATCH

VIA: AIR
SPECIFY AIR OR SEA POUCH

DISPATCH NO. 738-7-109

CLASSIFICATION

TO: Chief of Station, Karlsruhe

DATE: 17 August 1949

FROM: Chief, Foreign Branch M

Attn: Chief, MOS

SUBJECT: GENERAL - Operational

SPECIFIC: CANAKIN Project

REFERENCE: MOHA-1288, 1294, 1335, and MOKA-9291

1. The CANAKIN Project is hereby disapproved. You are authorized to expend, for the months of July through September only, the amounts of money and supplies you proposed in the project form, MOHA-1294, but you are expected to drop the project and whatever contact you may still have with [] permanently and as soon as possible. We have allocated DM 900 for salary July-September, and DM 600 to cover retroactively what you appear to have paid him during the last half of fiscal 1949.

2. After a thorough study of the file in relation to the host of important tasks facing the Munich Base, we feel strongly that cases of the caliber of CANAKIN merely drain away manpower that we cannot afford to squander. Spending time on CANAKIN cannot be justified when we are too short-handed to arrive at detailed assessments for possible operational use of recent defectors like [] and []. There will always be more opportunities than you can exploit, and even when you receive some of the Russian-speaking case officers now in training you will still have too small a staff for any but the most important jobs. Generalizing broadly, we can reduce the Russian aspects of Munich's job to two:

a. Mounting as many operations as can be perfectly staffed out, but no more. You are under no pressure to mount numerous operations at all costs and in a great hurry; rather, you are to examine the opportunities that arise so thoroughly that those you do mount will run smoothly with a minimum of misunderstandings and delays between your office and ours. The endless questions we have had to ask about C. TEL and [] many of them still unanswered, show that time spent on people like CANAKIN and projects like ASTOR would be better spent on staffing out the really going concerns. If this means devoting two case officers to C. TEL and none to some other, this is for the present all to the good.

b. Developing suitable people for operations in other areas. Again this means not rounding up great numbers, but thorough, patient study of a few. In this connection, one good bird-dog in Germany ([] for instance)

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will be able to turn up as many good cases as your small staff should try to handle, and future operational possibilities will certainly continue to arise in other quarters. The Russian desk here received with alarm the news that the German Station was not able to handle people like the two defectors mentioned above; all my explanations of the difficulties did not remove the fact that defectors offer considerably more profit than emigres of many years' standing. We'll never be able to handle all the defectors available, but that is the direction in which we must labor.

3. Please therefore take this disapproval of CANAKIN as a guide for cutting down your operations in general to a workable size. We respect and appreciate your all-embracing enthusiasms, but are sure you've tried to handle too much.

4. Neither the desk concerned here nor C _____ is at all interested in CANAKIN's services in Spain; they are in fact strongly opposed to his going to Spain at all. It looks to them as if he has highly exaggerated his so-called intelligence contacts there. As you have probably already learned from discussions with C _____ suggested in MOKA-9291, KREUTZ is a defunct Odeum agent in Madrid unsuccessfully seeking employment with the American Embassy to ease his dire financial situation. There is no indication, and it is considered most unlikely, that KREUTZ could help in obtaining Spanish visas. It would therefore be most undesirable to have CANAKIN also end up in Spain, where he would probably also go the American Embassy sooner or later for help on the basis of his "past services to the American I. S. in Germany." CANAKIN's other contacts in Spain are also of no intelligence interest, as far as we are able to determine.

5. If he remains in Germany, his continued contact both with us and with ODEUM, through C _____ and BARANOVSKI, would be undesirable. The best way out would be the help C _____ suggested in MOKA-943, para 2a, but no more; the procurement of an Exit Permit so that he could go to Argentina. Do not help him get to Spain; if he makes his own arrangements for getting there that is his business, but he must understand that no American representative there will be interested in using him.

6. For your future guidance, please notice that the CANAKIN project was never officially approved even for the last half-year. MGKN-1797 of 31 March 1949 implies that approval would be forthcoming after you had answered our question on finances, but you never answered the question; our only information on your payments to CANAKIN came much later from finance reports. That leads me to point out that all our requests for information are based on steadily tightening operational procedures, not of our own devising, which make it more than ever necessary for you to follow a strict pattern in developing operations. Unfortunately we have had to administer directives of which you are in ignorance, because the general instructions to all field stations have not yet gone out, but please bear these two facts in mind:

a. Strictly speaking, you are not authorized to spend any money on any project until a notification has gone from the branch to Confidential Funds that such and such a quantity of branch funds has been allocated to that project. You do have a fund to take care of small expenses connected with

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developing new projects up to the point where you are able to propose the project formally for approval, but no large or fixed periodic expenditure is authorized without notification from the branch. In practice it is impossible to approve all projects at the beginning of the six-month period; that is why in this case you are given until the end of September to close out the project. But we must conform to the spirit of the rule as closely as possible, and therefore must expect prompt answers to any questions on your financial arrangements.

b. It is now necessary to procure what is called "operational clearance" from a central office for every person who has even a remote connection with your operations. This means not only that we must obtain permission in writing to proceed with an important project like CARTEL, with specific permission to use certain identified individuals and no others, but that we must also obtain clearance for everyone else down to the charwomen and automobile mechanics. Clearance for people with whom we were already in contact before the rule went into effect will be procured as fast as we can do the necessary paper work and co-ordination, but for every new or substantially changed operation we must get clearance at the beginning. Since it is impossible to obtain all the necessary facts at the beginning, there is also a provisional clearance for three months, at the end of which time we have to be able to present the whole story in order to justify permanent clearance. It is therefore imperative that you do your agent-control work with the greatest thoroughness and promptitude.

7. In addition to the recent regulations described above, Munich above all other bases poses problems of intricate co-ordination here. All matters concerning Russian operations have to be settled with at least one other branch, or in the case of people like C } two other branches, in addition to the people handling operation clearance, funds, liaison with other government agencies, COMMO, supply, etc. This means that prompt, full answers to our questions (or better, anticipation of our questions), and regular, detailed progress reports from every case officer on every case he is handling are bedrock essentials. With them we can provide you the support you require, without them we and you all go through endless waste motion.

8. These generalities have brought us a long way from CANAKIN, but I wanted you to see the considerations which have to govern our attitude to your whole enormous operational problem. If this decision appears to you to be abrupt, arbitrary, and unwise, we must nevertheless make decisions that reduce your present overextension.

HTC:bjn

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